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## MINISTRY OF CONSUMER AFFAIRS, FOOD & PUBLIC DISTRIBUTION

## DROUGHT MANAGEMENT, FOODGRAIN PRODUCTION AND PRICE SITUATION

[Action taken by the Government on the recommendations contained in the Second Report (Fifteenth Lok Sabha) of the Committee on Estimates]

# COMMITTEE ON ESTIMATES (2010-2011)

# EIGHTH REPORT

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**FIFTEENTH LOK SABHA**

**LOK SABHA SECRETARIAT**
**NEW DELHI**

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## COMMITTEE ON ESTIMATES
## (2010-2011)

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**[Action taken by the Government on the recommendations contained in the Second Report (Fifteenth Lok Sabha) of the Committee on Estimates]**

**Presented to Lok Sabha on 22-11-2010**

**LOK SABHA SECRETARIAT**
**NEW DELHI**

**November, 2010 / Kartika, 1932 (Saka)**

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## CONTENTS


| | | PAGE NO. |
|---|---|---|
| COMPOSITION OF THE COMMITTEE ON ESTIMATES (2010-11) | | **(iii)** |
| INTRODUCTION | | **(v)** |
| CHAPTER I | Report | **1** |
| CHAPTER II | Recommendations/observations which have been accepted by the Government | **14** |
| CHAPTER III | Recommendations/observations which the Committee do not desire to pursue in view of Government's reply | **24** |
| CHAPTER IV | Recommendations/observations in respect of which Government's replies have not been accepted by the Committee | **32** |
| CHAPTER V | Recommendations/observations in respect of which final replies of Government are still awaited | **36** |


## ANNEXURES


| | | |
|---|---|---|
| I | Action Taken under the Essential Commodities Act, 1955 for the year- 2009 - Information received from States / UTs upto 31.07.2009 | **50** |
| II | O.M. of Ministry of Consumer Affairs, Food & Public Distribution (Department of Food & Public Distribution) dated the 2nd February 2010 | **52** |
| III | List of priority of centres proposed for construction of godowns by FCI during 11th Five Year Plan (2007-12) | **54** |
| IV | The details of the requirement of additional storage capacity finalized by HLC of FCI | **56** |


## APPENDICES


| | | |
|---|---|---|
| I | Minutes of the sitting of the Committee on Estimates held on 23rd September, 2010 | **57** |
| II | Analysis of the action taken by Government on the recommendations contained in the Second (2nd) Report of the Committee on Estimates (15th Lok Sabha). | **58** |

## COMPOSITION OF THE COMMITTEE ON ESTIMATES (2010-11)

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| 1. | Shri U.S. Saxena | - | Joint Secretary |
| 2. | Smt. Anita B. Panda | - | Additional Director |
| 3. | Shri Janmesh Singh | - | Committee Officer |

## INTRODUCTION

I, the Chairman of Committee on Estimates (2010-11) having been authorized by the Committee to present the Report on their behalf, present this Eighth Report on action taken by the Government on the recommendations contained in the Second Report of the Committee (Fifteenth Lok Sabha) on the subject 'Drought Management, Foodgrain Production and Price Situation' pertaining to Ministry of Consumer Affairs, Food and Public Distribution.

2. The Second Report was presented to Lok Sabha on 24th November, 2009. The Government furnished their replies indicating action taken on the recommendations contained in the Report on 23rd April, 2010 (Department of Consumer Affairs) and 28th June, 2010 (Department of Food & Public Distribution). The draft report was considered and adopted by the Committee at their sitting held on 23rd September, 2010.

3. An analysis of action taken by the Government on the recommendations contained in the Second Report of Committee on Estimates (Fifteenth Lok Sabha) is given in Appendix II.

**NEW DELHI;**
**18th November, 2010**
**Kartika 27,1932(Saka)**

**FRANCISCO SARDINHA,**
**CHAIRMAN,**
**COMMITTEE ON ESTIMATES.**

## CHAPTER I

## REPORT

1.1. This Report of the Committee deals with the action taken by the Government on the recommendations contained in the Second Report (Fifteenth Lok Sabha) on the subject 'Drought Management, Foodgrain Production and Price Situation' pertaining to the Ministry of Consumer Affairs, Food and Public Distribution.

1.2 The Second Report (Fifteenth Lok Sabha) was presented to Lok Sabha on 24th November, 2009. It contained 21 observations/recommendations. Action Taken Notes on these observations/recommendations were received from the Department of Consumer Affairs on 23rd April, 2010 and from Department of Food & Public Distribution on 28th June, 2010.

1.3 Replies to the observations and recommendations contained in the Report have broadly been categorized as under:-

(i) Recommendations which have been accepted by the Government:
Sl. Nos: 3.8, 3.9, 3.11, 3.12, 3.13, 3.17

(ii) Recommendations which the Committee do not desire to pursue in view of Government's reply:
Sl. Nos: 3.3, 3.10, 3.15, 3.16, 3.18, 3.21

(iii) Recommendations in respect of which Government's replies have not been accepted by the Committee:
Sl. Nos: 3.2, 3.5

(iv) Recommendations in respect of which final reply of Government is still awaited:
Sl. Nos: 3.4, 3.6, 3.7, 3.14, 3.19, 3.20, 3.22

1.4 The Committee will now deal with the action taken by the Government on some of their recommendations in the succeeding paragraphs.

## Reviewing role & functions of Price Monitoring Cell
## Recommendation (Sl. No. 1, Para No. 3.2)

1.5 The Committee recommended as below:-

The Committee note that there is a Price Monitoring Cell (PMC) in the Department of Consumer Affairs to monitor the availability and prices of 17 essential commodities in the country including rice, wheat, atta, gram dal, tur dal, urad dal, onion, potato and sugar. Wholesale and retail prices are obtained by PMC from the State Food and Civil Supplies Departments. The cell is merely collecting and disseminating information pertaining to the prices of essential commodities. Even in this role, the Committee find deficiency. For instance, potato is one of the items being monitored by the cell. The prices of potatoes has suddenly risen in recent months. The Secretary, Consumer Affairs, informed the Committee in regard to its availability that 'some people' are saying that the stocks of potatoes are sufficient and that 'some people'are saying that the excess quantity of potatoes exists. The Committee regret to note that the Secretary, Consumer Affairs is not aware of the availability position of potatoes when its retail prices are sky-rocketing. When PMC is working under him, he should have been able to provide exact information on availability of potatoes in the country. The above instance is sufficient to show that PMC is merely monitoring the prices of those essential commodities. In Committee's view, the exact role which should be played by PMC is monitoring of demand and availability position of essential commodities, its effects on prices and initiating necessary corrective steps in coordination with the department concerned in a time bound manner. They, therefore recommend that the role of PMC should be redefined in the wake of current situation of price rise and it should be headed by an officer of the rank of Secretary exclusively for the purpose. He should be compressed to take necessary steps for controlling the prices of essential commodities.

1.6 In their action taken reply, the Ministry of Consumer Affairs, Food & Public Distribution have stated as follows:-

Estimates on potato area and production are given by NHRDF and Directorate of Economics and Statistics, Ministry of Agriculture. During 2008-09, there was discrepancy in the estimates of potato production provided by NHRDF and the trade sources. As per the NHRDF reports total production during the year 2008-09 was estimated at 311.27 lakh

tonnes compared to the previous year's production of 304.42 lakh tonnes. However, trade sources reported a lower production of potato. Hence exact estimates of availability of potato are not available.

The Price Monitoring Cell of the Department of Consumer Affairs is entrusted, with the task of monitoring of the prices and availability position of 17 essential commodities in the country viz., rice, wheat, atta, gram dal, tur/arhar dal, moong dal, masoor dal, urad dal, tea, milk, sugar, vanaspati, mustard oil, groundnut oil, potato, onion and salt, based on the information received from the State Food and Civil Supplies Departments. Information on Retail Prices is received on daily basis from 27 centres of the country. Similarly, information on Wholesale Prices is received from 37 centres of the country on weekly basis. Despite the deficiency of staff, the Price Monitoring Cell studied the international and domestic market trends of essential commodities from various sources and this analysis was incorporated in the Notes prepared for the High Level Meetings that were held regularly to enable the Committees to arrive at considered policy decisions in a time bound manner.

It is not possible to control the prices of essential commodities as prices are determined by the forces of demand and supply and vary at different markets and locations. It is not practically possible to bring uniformity in prices of essential commodities across different states on account of the transportation and handling costs and various taxes levied by different State Governments, as well as the conditions of demand and supply that vary from place to place. In a market driven economy, State Governments can better influence the prices of essential commodities by intervening in the market by selling these essential commodities at specific retail outlets at prices below the prevailing market prices. During the periodic meetings with the State Governments and UT Administrations, they were requested to initiate steps to bring down the prices. It has also been reiterated by the Minister for Food, Consumer Affairs and Public Distribution and the Prime Minister, that the State Governments have an important role in checking the rise in the prices of essential commodities through a set of administrative and regulatory measures.

In this context the States have to take pro active measures. This has been done by

some State Governments. For instance, few State Governments like Maharashtra and Goa had taken steps to make available vegetables, particularly, potato and onion, to consumers at prices that were lower than market rates, when their prices were ruling high last year; in Maharashtra, market cess and supervision fee was waived for vegetables sold in retail in the APMC area by farmers groups, cooperatives and consumer societies; in Goa, mobile units are engaged in selling potato and onion and other vegetables at prices lower by ₹3-₹4 per kg with the state government bearing the subsidy. Delhi Government also intervened directly by supplying pulses and atta at lower rates through various outlets.

**1.7 In view of the rising prices of essential commodities and the need for a better monitoring of the same, the Committee had recommended that role of Price Monitoring Cell (PMC) in the Ministry should be enlarged so as to move beyond merely collating data regarding retail and wholesale prices from various centres of the country on a daily/weekly basis. They feel that this raw data is of hardly any use unless it is seen as an input in policy intervention and this intervention has to come at a right time. Though the Government has not felt the need to vest PMC with more powers to control/check the rise in prices of essential commodities, the Committee feel that the Issue of Price Rise needs constant and independent monitoring at the Ministry's level and regular corrective action. Therefore the Committee would like to reiterate that the technical and administrative capacity of the PMC should be strengthened and its brief should be enlarged so as to enable it to play a proactive role in the matter.**

**Further, the Committee would like to emphasize that Government cannot shirk its responsibility, which is to insulate the poor from unprecedented hike in prices of essential commodities. As per their Action Taken reply the Ministry have taken a stand that it is not possible to control the prices of essential commodities as prices are determined by the forces of demand & supply. The Committee are of the opinion that forces of demand & supply are not being allowed to operate in a healthy manner due to distortions created by market menaces like hoarding, black marketeering etc. It is too well-known a fact that the middlemen, hoarders and black marketeers create an artificial shortage of essential commodities, control the market and usurp the largest chunk of the profits out of the resultant price hikes. The**

**Committee feel that the role of the Government is indispensable for removing these distortions. The Committee would also like to reiterate the urgent need of the Centre & State Governments coordinating their efforts to check price rise. In this regard, the Committee understand that a Standing Core Group under the Chairmanship of Hon'ble Prime Minister has already been deliberating on the matter, and it is hoped that Government would extract better compliance from the State Governments. The Committee would like to be apprised about important deliberations of this Core Group. At the same time, the Committee urge the Central Ministry to reiterate their suggestion to various State Governments and UT Administrations to use the powers under the Essential Commodities Act, 1955 to impose stock or turnover limits for various commodities like pulses, rice, sugar, edible oil etc. and penalize those who hold these commodities in excess of the limit. States, which have not done so, should be made to explain before the Standing Core Group of Ministers. Besides, as the Central Government monitors the action taken by States in implementing the provisions of the Act, the Committee recommend to the Ministry that a strategy paper can be shared with the States for identifying the priority interventions within the ambit of the Act so that the price rise could be contained and brought to a level at which the poor people of the country are able, at least, to afford a basic meal.**

## Better implementation of Essential Commodities Act, 1955
## Recommendation (Sl. No. 4, Para No. 3.5)

1.8 The Committee recommended as below:-

The Committee regret to note that effectiveness of Essential Commodities Act has been diluted. They learnt that two central notifications were issued on 15.02.2002 and 16.06.2002 for removing the licensing requirements, stock limits and movement restrictions on essential commodities which were specified in the Act. Subsequent to the issue of these notifications, there was rise in prices of essential commodities and the Government had to impose restrictions by keeping in abeyance some of the provisions of the Central Order dated 15.02.2002 in respect of pulses, edible oils, edible oilseeds, rice, paddy and sugar. Restrictions on sugar are valid till 9.1.2010 and the restrictions on other five items were valid upto 30.9.2009. These restriction orders are proposed to be extended beyond the validity period and the matter has been referred to the Cabinet. In Committee's view such ad hoc measures will not result in decrease of prices of essential commodities. It is imperative to come to a permanent solution urgently to this issue which involve serious implications. Interests of the people of this country cannot be compromised under any circumstances. To protect their interests, Essential Commodities Act, 1955 should be implemented in letter and spirit. The Committee, therefore, recommend that a comprehensive review of the effect of the above mentioned notifications should be undertaken immediately. Based on the review, a permanent notification withdrawing the provisions of the central orders dated 15.02.2002 and 16.06.2002 should be issued so as to take effective action against those who indulge in artificial price hike by resorting to hoarding, etc. in violation of Essential Commodities Act, 1955.

1.9 In their action taken reply, the Ministry have stated as follows:-

The validity of the orders keeping in abeyance certain provisions of Central Orders dated 15.02.2002 and 16.06.2003 have since been extended and these orders are presently valid till 30.09.2010, in respect of pulses, edible oils, edible oilseeds, rice, paddy and sugar. Wheat as a commodity has been withdrawn from the ambit of the orders w.e.f. 01.04.2009, in view of the comfortable availability of the commodity.

The Committee have recommended that a comprehensive review of the effect of the above mentioned Notifications should be undertaken immediately and based on the review a permanent notification withdrawing the provisions of Central Orders dated 15.02.2002 and 16.06.2003 should be issued. In this regard it is submitted that a Conference of Chief Ministers on Prices of essential commodities was held on 06.02.2010 under the chairmanship of Hon'ble Prime Minister. It was recognized by this Conference that the prime concern of the Government was the insulation of the poor and the vulnerable from adverse price movements. This responsibility has to be shared by the Government at the Centre and in the States as coordinated approach to be adopted to tackle the issue. The Conference recommended the constitution of a Core Group of State Chief Ministers and concerned Central Ministers. This Core Group will deliberate on and recommend measure to, inter-alia, better implementation of and amendment to Essential Commodities Act, 1955. The Standing Core Group has since been constituted and the First meeting of the Core Group was held on 08.04.2010 under the Chairmanship of the Hon'ble Prime Minister. The suggestions of the States/UTs on the issue relating to amendment of Essential Commodities Act, 1955 were placed before the Core Group.

**1.10 The Committee are unhappy at reply of the Government which shows a lack of urgency and seriousness on their part to tackle the price rise. It is really sad that the Government is taking recourse to adhoc measures. The Committee is distressed to note that instead of doing away with the afore mentioned notifications forthwith, it is merely keeping their applicability in abeyance. It has been well documented that the prices of various commodities soared after these changes were notified. The Committee feel that the Core Group constituted for the purpose must come out with effective suggestions on better implementation of the EC Act, otherwise it will lead to further price escalation, and the consequent hardships to the poor people of the country.**

**The Committee have been time and again emphasizing that the menace of rising prices can be tackled only through concerted efforts of the Centre & and the States. The Core Group of the Government should prevail upon the State Governments to implement the Essential Commodities Act in letter & spirit. Various**

**unscrupulous middlemen are taking advantage of the indifferent attitude of the Government. They are manipulating prices by withholding stocks. The Committee is of the considered view that through better utilization of the Essential Commodities Act & curbing / checking the activities of various middlemen, the huge differentials between farm-gate and retail prices could be checked. In this regard, the Committee would like to express their regret over the lax implementation of the Prevention of Black Marketing and Maintenance of Supply of Essential Commodities Act, 1980. The low rate of arrests & convictions made under this Act is unacceptable to them in view of widespread cases of non-availability of essential commodities at reasonable prices in the recent past. The Committee thus recommend that the Ministry should ensure better enforcement of the two Acts by the State Governments through the said Core Group. They would also like to be apprised of the number of meetings of the Core Group held so far, their recommendations and action taken on these by the Government.**

## Lack of Storage Facilities
## Recommendation (Sl. No. 21, Para No. 3.22)

1.11 The Committee recommended as below:-

The Committee note that 15.34 lakh tonnes of foodgrains were stored under CAP (covered and plinth) system in open space, as on 15.08.2009, in various States in the country. Out of this about 9.99 lakh tonnes of foodgrains are stored under CAP in Punjab and Haryana alone. The Committee note that a plan scheme has been formulated by the Government to build and increase the storage capacity for storage of foodgrains by FCI in the country. An amount of ₹291 crore was proposed by the Department of Food and Public Distribution for the implementation of the scheme. However, Planning Commission had approved only an outlay of ₹149 crore. A quantum of 20,000 metric tonnes of wheat and rice was declared as damaged during 2008-09. One of the main reasons for this damage was the prolonged storage of foodgrains in open space under CAP system. The Committee, therefore, recommend that this issue should be taken up at the highest level with the Planning Commission for the allocation of the amount proposed by the Department. Construction of godowns by FCI either by its own or in collaboration with private sector should be taken up by the Government on priority basis. Necessary steps should also be taken to avoid damage of foodgrains stored in the custody of FCI, CWC, SWCs including overhaul and repair of existing godowns, installation of modern equipments in order to contain moisture content of foodgrains and to prevent destruction of foodgrains by rodents and other biotic and abiotic factors.

1.12 In their action taken reply, the Ministry have stated as follows:-

Under the Plan Scheme for construction of storage godowns the Ministry had initially proposed a total outlay of ₹291 crores out of which ₹87.92 crores and ₹1.12 crore was proposed for the NE States and J&K respectively. However, the Planning Commission approved an outlay of ₹149 crores only, out of which ₹125 crores is to be released as equity for FCI and ₹24 crores to North Eastern States as Grants in Aid.

The FCI has prepared a shelf off project to establish new godowns of capacity totaling 3.41 lakh tonnes with an estimated construction cost of ₹164 crores (without land cost) in various States during 11$^{th}$ Five Year Plan (2007-12). The details are given at

**Annexure-III**. The Planning Commission has however allocated an amount of ₹125 crores for FCI. The actual number of godowns taken up out of this allocation will depend on the availability of land.

To bridge the storage gap, this Department has formulated a scheme for construction of godowns through private entrepreneurs. The proposals for creation of storage capacity in the various States are considered by the State Level Committee (SLC), and are finally approved by the High Level Committee (HLC) of FCI. The HLC has given its approval for construction of storage godowns for a capacity of 127.65 lakh tonnes. The State-wise details of storage capacity approved by HLC are given at **Annexure-IV**. FCI will offer a guarantee of 7 years for construction of new godowns under the Scheme. The godown is to be taken on hire from Private parties through CWC/SWCs (which will be the implementing agency).

In order to ensure expeditious construction of godowns, the Guarantee Scheme has been reviewed and it has been decided that wherever CWC and SWCs have land and if this is at the identified locations and within storage capacity finalized, CWC/SWCs may construct godowns on priority for which FCI will provide 6 years Guarantee. CWC/SWCs have already started construction of 5.87 lakh tonnes of storage capacity.

There are well defined quality control norms specified by the Government for procurement of good quality foodgrains for distribution under TPDS, similarly there is a well established procedure to avoid damage of foodgrains stored by FCI.

Prior to commencement of Rabi and Kharif Procurement Seasons, the Department of Food & Public Distribution formulates uniform specifications for procurement of good quality foodgrains for the Central Pool. These uniform specifications are circulated to FCI, all State Governments and their agencies, with the instructions to ensure that foodgrains procured strictly conforms to uniform specifications.

Facilities for cleaning and drying of foodgrains are provided at the procurement centres by State Governments to ensure good quality foodgrains well within the uniform

specifications are procured by FCI and State agencies. Moisture meter, physical analysis kits, etc. are also provided at the procurement centres. Instructions are also issued that proper stitching and stenciling on grain bags should be carried out. Dunnage material, tarpaulin and other materials for safe storage of procured food stocks are also provided. The Quality Control officers of FCI and State Governments regularly monitor the quality of foodgrains at the time of procurement.

Samples of procured foodgrains are drawn from the procurement centres and are got analyzed in the laboratories to know their physical quality parameters including moisture content. Discrepancies, if any, observed in the quality of procured foodgrains are immediately brought to the notice of concerned authorities of the FCI and State Governments for taking immediate remedial measures.

Procured foodgrains are stored in covered godowns as well as under CAP (Covered & Plinth) storage (wheat and paddy only) for varying periods. During storage, scientific code of practices for safe storage of foodgrains are adopted by FCI and State agencies. Regular prophylactic and curative treatments are carried out for the control of insect pests. Proper aeration, cleaning and brushing of foodgrains are also carried out regularly.

Quality Control officers of FCI and State agencies regularly monitor the quality of foodgrains including category of foodgrains and insect infestation, if any, and suggest immediate remedial measures. These inspections and remedial measures are displayed on the stack card of each stack in the godown.

Similarly, at the time of distribution of foodgrains to States/UTs, there is a well defined procedure of joint inspection/sampling of the stocks by State Government authority and FCI to ensure that only good quality foodgrains conforming to PFA Standards are issued under Targetted Public Distribution System (PDS) and other welfare schemes.

Wherever incidence of distribution of poor quality foodgrains to consumers are brought to the notice, action is taken against the officials found responsible.

**1.13 Though the Government had submitted a detailed reply to the Committee's recommendation on the shortage of storage facilities, the Committee are not impressed in view of a large number of reports on the rotting of staggering quantity of foodgrains lying in CAP facilities due to rains and floods in Punjab, Rajasthan, Uttarakhand, Haryana and U.P. Of late, media have highlighted several such incidents and the Hon'ble Supreme Court has also reprimanded the Government for laxity. The Committee are of the opinion that the Government should have taken necessary proactive measures in augmenting their storage facilities, keeping in view the burgeoning foodgrain procurement requirements under the Food Security Act, rather than waiting for the crisis to precipitate. Now, as the Government has understood to have started certain schemes to augment storage capacity, the Committee desire that these schemes/programmes should be expedited and the construction of proper godowns for storage must be completed on war footing to prevent further loss. The Committee would also like to be apprised of the progress of the schemes and storage facilities created during the current year at the action taken stage. Meanwhile, the Committee are of the view that there is still considerable scope for making the storage of foodgrains more realistic and effective. The Ministry should device a way of calculating the State wise/year wise demand for storage space, fix targets accordingly and thereafter proceed for construction of godowns in a planned manner. This planning should be done with inputs from States and concerned agencies at various levels. Private players should be further incentivized to play a proactive role in augmenting storage capacity. The Committee are of the considered view that the Government should provide soft loans at affordable rates and subsidies to the private players to set up godowns.**

**The Committee feel that the issue of proper procurement should also be addressed by the Government since it is the first step towards a healthy scientific management of foodgrains and fair remuneration to the farmers. At various places instances of agents acting in collusion with the FCI officials and procuring foodgrains, thus leading to denial of MSP to the farmers have come into light. The Committee, therefore, recommend that the Government should be vigilant to ensure**

**that agents and middlemen are not involved in the procurement of foodgrains from the farmers.**

**The Committee would also like to express their anguish at the improper implementation of Quality Control Measures. The nexus between officials and private traders to overstep the quality control requirements is well-known. Therefore the Committee urge the Ministry to take stringent measures and penalize those found guilty of indulging in such activities with strict punishment. Further, the Committee would like to point out that it is high time that the Government streamlined the entire chain of Procurement, Storage, Transportation & Distribution of food grains to ensure timely availability of quality foodgrains to the people. At the same time, in view of the Ministry's stand about press reports being exaggerated, the Committee also feel that the Ministry must activate their PR mechanism and issue press notes in case false or exaggerated reports appear in the public domain because their image stands severely dented today due to the recent media onslaught on the rotting of foodgrains. The Committee also await the outcome of the various schemes announced by the Government to enhance its storage facilities at the action taken stage.**

## CHAPTER II

## RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

### Recommendation (Sl. No. 7, Para No. 3.8)

**The Committee notes that futures' trading gives the advance and aggregated information of the likely price scenario of a particular commodity at future date. As such, there are possibilities that futures trading may spawn excessive speculation and cause artificial price rise. Even the Expert Committee appointed by the Department of Consumer Affairs has concluded that no strong conclusion can be drawn on whether introduction of futures trade is associated with decrease or increase in spot price volatility. The Expert Committee did not give 100% green signal for futures trading. Since, food security of the country is at stake, the Committee recommends that futures trading in wheat, rice, tur, urad dal and sugar should be banned till the country achieves self sufficiency in the production of these items on a continuous basis.**

### Reply of the Government

The Estimates Committee has very rightly observed that futures' trading gives advance and aggregated information of the likely price scenario of a particular commodity at a future date. However, it apprehends that there are possibilities that futures trading may spawn excessive speculation and cause artificial price rise. However, in a well regulated market, excessive speculation can be prevented through effective use of the relevant regulatory tools by the Regulator. And that is exactly what the Forward Markets Commission the Regulator of commodity market has been doing quite effectively. That is why the Abhijit Sen Committee did not find any evidence to suggest that the futures market was responsible for the price rise. However, the committee did not draw any firm conclusion about spot price volatility vis-a –vis futures trading because of the limited data (2.5 years only) available on futures trading as it was quite new then. Three years have passed since then and on the basis of the last 6 years' data, it can be said that there is no evidence of the futures trading causing any inflation.

Futures' trading in a commodity is a mechanism for price discovery and price risk management and not a mechanism to control the prices nor is it responsible for price rise in any commodity. The prices of any commodity are governed by the physical demand and supply factors. Futures markets are, therefore, in no way responsible for the inflationary pressure on the prices of the commodities. Price information emanating from the futures market, however, can be used by policy makers to take corrective policy initiatives for supply side or demand side interventions to bridge the supply-demand gap.

Futures trading in wheat, tur, urad and rice, were suspended in January/February 2007. The suspension of futures trading in wheat was revoked on 15th May 2009. Suspension of the other three commodities continues. Futures' trading in these commodities was suspended as an abundant caution to address the then perception in some quarters that futures' trading in commodities has an inflationary pressure on the prices of these commodities (the perception has been later proved to be incorrect). Futures trading in sugar which was suspended on 26th May 2009 for a period upto 31st December 2009 has been extended till 30th September 2010.

The prices of these commodities after suspension of futures trading did not show any declines. On the other hand, they increased substantially after suspension of futures trading as will be evident from the facts given below:

- ✓ Spot price of rice increased from ₹1077.90 per 100 Kg (on 27th February 2007, the day of suspension from the futures markets) to a high of ₹1632.05 (on 27th January 2009) and is presently at ₹1580.35 (on 29th March 2010).
- ✓ Spot price of urad increased from ₹3550.70 per 100 Kg(on 23rd January 2007, the day of its suspension from futures markets) to a high of ₹6000 (on 7th November 2009) and is presently at ₹4921.75 (on 29th March 2010).
- ✓ Spot prices of arhar (tur) increased from ₹2337.20 per 100 Kg (on 23rd January 2007, the day of its suspension from futures markets) to a high of ₹6068.75 (on 11th July 2009) and is presently at ₹4437.50 (on 29th March 2010).

- ✓ Spot price of sugar increased from ₹2263.90 per 100 Kg -(on 26th May 2009, the day of its suspension from futures markets) to a high of ₹4063.50 ( on 7th January 2010) and is presently at ₹3033.45 (on 29th March 2010)

As far as wheat is concerned, the supply situation in wheat is quite comfortable (production in 07-08, 08-09 and 09-10 has been 78.57 million tons, 80.68 million tons and 80.28 million tons (estimate) respectively). The buffer stocks of Government are also very comfortable. Even otherwise also, wheat is a broad commodity and barring a few occasions, the production has been sufficient to cater to the demand. The marginal shortfalls, whenever there, can always be made up by imports as wheat is a global commodity and is more easily available. Besides, presently wheat futures and spot prices are marginally above MSP. There is, therefore, no case for suspending wheat from the futures market.

Except wheat, futures trading is already banned in all other commodities referred to in the report of the Committee. In the case of wheat, a conscious decision was taken to revoke the ban as indicated above. At present, there is no untoward movement in wheat prices. The situation is constantly monitored and FMC would take necessary action as considered appropriate.

## Recommendation (Sl. No. 8, Para No. 3.9)

**The Committee note with concern that about 2 lakh tonnes of imported pulses are lying in and around Tuticorn and Mumbai Ports. As the domestic production of pulses is much less than the consumption, the country is importing pulses at higher cost to meet the requirements of the people. Prices of pulses, particularly that of Arhar and Urad are already very high in the country. Permission to store such large quantities of pulses in the vicinity of the ports would further lead to availability constraints and further price rise. The Committee, therefore, recommend that regular inspections should be conducted by the authorities concerned and strict action taken against those importers who store essential commodities, after import, in such large quantities in and around the ports and even other places. All the ports**

**should also be instructed to ensure immediate movement of pulses and sugar imported through their ports.**

**Reply of the Government**

In view of the increasing prices of essential commodities particularly Sugar and Pulses and to discourage storage of these commodities in the Port area including licensed area after import, punitive demurrage charges/license fee in respect of Sugar and Pulses have been imposed. For cargo that is stored beyond 21 days, four times the rate applicable after the free period in the port is charged; No such penalty exists for yellow peas and raw sugar. Ports are taking all possible measures to ensure immediate evacuation of essential commodities by Rail by keeping close coordination with them. The 4 agencies viz. PEC, MMTC, STC and NAFED make arrangements for safe storage of imported pulses in the Port warehouses, Central Ware house Corporations/ State Ware house Corporations. The stocks of imported pulses are generally cleared by the 4 agencies within the prescribed time period.

**Recommendation (Sl. No. 10, Para No. 3.11)**

**The Committee note with satisfaction that the Central Pool of stocks of wheat and rice are quite comfortable. Country witnessed record production of both wheat and rice during the previous season. As a result, opening balance for the current season for both wheat and rice was very comfortable. However, if the production of rice during the current khariff season is less than the requirements due to drought etc., the Government propose to consider import of rice to increase its availability in the market. Reduction of import duty on rice is under consideration. The Committee find that this 'under consideration' affair is very often a lengthy and cumbersome procedure. By the time a decision is taken by the Government, the situation goes out of control and the Government finally react in a knee-jerk manner. As the people are the ultimate sufferers in such situations, the Committee recommend that the Government should take advance action to assess the**

**expected production of rice during khariff 2009-10 and appropriate measures including import of rice should be initiated on time.**

**Reply of the Government**

Record procurement of 287.36 and 336.84 lakh tonnes of rice have been made during Kharif Marketing Season 2007-08 and 2008-09 respectively. The procurement of rice is 280.60 lakh tonnes in current Kharif Marketing Season 2009-10 as on 24th May, 2010 against the estimated procurement of 260 lakh tonnes of rice, for the entire KMS 2009-10 (i.e., till September, 2010). FCI has informed that the procurement during KMS 2009-10 may be around 320 lakh tonnes. The stocks of rice in the Central Pool are sufficient to meet the requirement of TPDS and other Welfare Schemes at current level of allocation. Hence, at present there is no need to undertake import of rice for the Central Pool.

In order to increase the availability of rice in the country as well as to contain the rise in prices, Government has allowed duty free import of rice. Further, the ban on export of non-basmati rice has been continued. The rice and wheat situation is reviewed by the Government regularly.

**Recommendation (Sl. No. 11, Para No. 3.12)**

**The Committee are not convinced with the argument that domestic prices of wheat and rice are linked to international prices even when the country is self-sufficient in these essential commodities. In this regard, the contention of the Ministry that the open market prices are affected by many factors viz. production, procurement, stocks, speculative trading by private traders due to variation in international prices etc. is not acceptable to the Committee. When a commodity is domestically produced in adequate quantum and its availability is sufficient to meet the requirements of the people, then there is no question of domestic prices getting affected by the global outlook. It is the duty of the Government to protect the people from such unscrupulous elements which indulge in artificial price hike of essential commodities. The Committee, therefore, recommend that the Government**

**should bring in necessary controls in regard to insulation of domestic prices from the effects of international prices when a commodity is available in sufficient quantity domestically to meet the requirements of the people. Strict action should be taken against those middlemen who indulge in speculative hike of prices under the plea of global outlook.**

**Reply of the Government**

India has had record production of wheat during Rabi Marketing Season 2008-09 and 2009-10 and sufficient quantum of foodgrains has been procured by Government in order to meet the requirement of TPDS and other welfare schemes. The steps taken by Government to curb speculative price rise are as follows:-

(i) Powers have been vested with State Governments for taking action under the provisions of Essential Commodities Act, 1955 and Prevention of Black marketing and Maintenance of Supplies of Essential Commodities Act, 1980.

(ii) To enable the State Governments/UT Administrations to take effective action for undertaking de-hoarding operations under the essential Commodities Act, 1955, it was decided to enable State Governments to impose stockholding limits by keeping in abeyance some provisions of the Central Order dated 15.2.2002 in respect of pulses, edible oils, edible oilseeds, rice and paddy for the period up to 30.09.2010. In respect of sugar, the Central Government has also issued orders providing for stock-holding/ turnover limits which are as follows: -

Stockholding: (i) in Kolkata and extended area –

(a) recognized dealers who import sugar from outside West Bengal- 10, 000 quintals;

(b) other recognized dealers – 2000 quintals

Turnover – No dealer can hold the stock of sugar for a period exceeding 30 days from the date of receipt by him of such stock.

(iii) The details of the raids conducted, value of goods confiscated and persons booked for violation of rules under the Essential Commodities Act, 1955, during the year 2009 as reported by State Governments/UT Administrations are at **Annexure**-I.

(iv) The State Governments/ UT Administrations are empowered to detain such persons under the Prevention of Black marketing and Maintenance of Supplies of Essential Commodities Act, 1980, whose activities are found to be prejudicial to the maintenance of supplies of commodities essential to the community. Details of detention orders issued under the said Act and as reported to the Central Government by the State Governments/ UT Administrations during the year 2009 are given below:-

| Name of the State | 2009 |
|---|---|
| Gujarat | 31 |
| Tamil Nadu | 112 |
| Orissa | 02 |
| Maharashtra | 02 |
| Total | 147 |

(v) The State Governments/ UT Administrations have been repeatedly requested to strictly enforce both the Acts and also monitor such enforcements.

**Recommendation (Sl. No. 12, Para No. 3.13)**

**The Committee note that the Food Corporation of India on the instructions from the government of India has been undertaking sale of wheat at pre-determined prices in the open market from time to time to have a moderating influence on the Open market Prices. In order to check the inflationary trends in the food economy, the Central government proposes to release 30 lakh tonnes of wheat and 15 lakh tonnes of rice under this open market sale scheme during 2009-10. These releases were proposed to be effected between September 2009 to March 2010. However, since the briefing of the Committee on the subject on 28.8.2009 till the second evidence on 05.10.2009, the scheme was at proposal stage only and the Department had given the replies such as state–wise allocations were being finalized and the detailed guidelines of release of wheat and rice under OMSS, 2009-10 are being**

**finalized etc. Quick decisions and effective implementation of the decisions taken is the need of the hour to address the issue of present inflationary trends in the food economy. The Committee, therefore, recommend that immediate decisions should be taken on allocations to state, time and place of release of foodgrains and the issue price. The release of wheat and rice should commence without any further loss of time. Action taken in this regard should be intimated to the Committee.**

**Reply of the Government**

The Open Market Sale Scheme (Domestic) for wheat was introduced in October 1993. Various pricing patterns like State-wise, Center wise, Zone wise etc. have been adopted on different pricing parameters. To check inflationary trends in food economy, Government has released 20 lakh MTs wheat and 10 Lakh MTs Rice to States/UT Governments under OMSS (D) for distribution to household consumers during the period October, 2009 to March, 2010. State/UTs Governments have also been permitted to convert the wheat released under OMSS(D) into atta for distribution to retail consumers. In addition to above, 10 lakh MTs wheat has also been allocated for sale to bulk consumers in various States/UTs through open tenders by FCI during the period October, 2009 to March, 2010.

Allocation of 5 Lakh MT wheat for tender sale to small processors has also been made to State Governments. 10.8 Lakh MTs wheat has been allocated for tender sale by FCI to bulk consumer out of expected savings from the allocation of 20 lakh tonnes to states for retail consumers referred above. Further, 250 MT of wheat has been allocated to the Union Territory of Lakshadweep for distribution to retail consumers out of expected savings from allocation of 10 lakh MT wheat made to the State Governments for distribution to retail consumers during January-March, 2010.

In addition to this a quantity of 37400 MT wheat and 17000 MT rice under OMSS (D) has been allocated to NAFED for sale to retail consumers for the month of January 2010 to March 2010. A quantity of 32684.21 tonnes of wheat and 11000 tonnes of rice under OMSS (D) have also been allocated to NCCF for the month of January 2010 to March 2010.

## Recommendation (Sl. No. 16, Para No. 3.17)

**The Committee note that Minimum Support Price for food crops viz. wheat and paddy was higher than Statutory Minimum Price (SMP) of sugarcane in the last two years. This has been stated as one of the reasons for shifting of sugarcane farmers to other crops. When sugarcane farmers are not getting remunerative price for their crops, there is little hope that they will continue to raise the sugarcane crop. Even though, SMP has been raised to ₹107.76 from ₹81.18 per quintal with additional recovery benefits, the Committee recommend that a comprehensive review of methodology of arriving at SMP should be conducted and a higher SMP should be fixed for cane growers so as to encourage them to raise sugarcane crops continuously.**

### Reply of the Government

In view of increase in MSP of wheat and paddy in the recent past, to check against further shift in area from sugarcane and with a view to ensure that cultivation of sugarcane is not rendered unattractive and unprofitable vis-à-vis wheat and paddy so as to ensure adequate production of sugarcane and sugar, the Government has amended its sugarcane pricing policy to fix "Fair and Remunerative Price" (FRP) for sugarcane during 2009-10 sugar season instead of a Statutory Minimum Price (SMP) previously fixed by the Government. Under FRP, the farmers would get an "upfront" payment of margins on account of profit and risk, not available under SMP. As recommended by the Commission on Agricultural Costs and Prices (CACP), the Government has determined a Fair & Remunerative Price (FRP) for sugarcane for 2009-10 sugar season at ₹129.84 per quintal, linked to a basic recovery rate of 9.5% subject to a minimum of ₹1.37 for every 0.1 percentage point increase in recovery above 9.5%. The FRP for 2009-10 sugar season is 50.5% higher than the all India weighted average cost of production and transportation of sugarcane of ₹86.27 per quintal at 9%, and therefore gives adequate margin to the farmers. It is also 51% higher than the SMP for sugarcane at ₹81.18 per quintal for 2008-09 sugar season, escalated to 9.5% basic recovery rate. The FRP for 2010-11 sugar season has been determined at ₹139.12 per quintal linked to a basic recovery rate of 9.5%

subject to a premium of ₹1.46 for every 0.1 percentage point increase in recovery above 9.5%.

In order to promote sugarcane production to improve sugar availability, the Central Government, *inter alia,* gives long-term loans from Sugar Development Fund (SDF) at concessional rate of interest, which at present is 4% per annum, for sugarcane development schemes to improve sugarcane variety and cane cultivation practices to increase cane productivity as well as recovery of sugar. The quantum of SDF loan for the purpose that a sugar factory can get has been recently increased in May 2009 from ₹2.7 crore to ₹5.4 crore.

Keeping in view low sugarcane production during the last year, the Government also announced in July 2009, a short term loan scheme for purchase of seeds, fertilizers and pesticides from SDF for cane development under which concessional loans at 4% per annum of ₹1 to ₹2.5 crore is available to each sugar factory depending upon their crushing capacity. This loan is required to be passed on to the farmers by the sugar mills, which in turn will improve sugarcane productivity and production.

## CHAPTER III

## RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENT'S REPLY

### Recommendation (Sl. No. 2, Para No. 3.3)

**The Committee note that presently prices of pulses, onion and potato are very high in the market thereby causing severe hardships to the people. They, therefore, recommend that the Government should implement vigorously Market Intervention Schemes in coordination with the State Governments concerned and NAFED to ensure reasonable price to both the growers and consumers.**

### Reply of the Government

This relates to Ministry of Agriculture.

### Recommendation (Sl. No. 9, Para No. 3.10)

**The Committee note that the Department of Consumer Affairs is implementing a scheme for distribution of imported pulses through Public Distribution System as a one time measure. As per the scheme, the subsidy given by the Central Government is limited to ₹10 per Kg. Moreover, one kg of pulses is distributed to each family irrespective of the size of the family. The Committee consider this grossly inadequate in view of the large intake of pulses by the people of the country. The Committee, therefore, recommend that the pulses be distributed regularly through PDS and the quantum of pulses distributed be commensurate to the family size of the beneficiary.**

### Reply of the Government

The Department of Consumer Affairs operates a Scheme since November 2008, under which imported pulses are sold by PEC, STC, MMTC , NAFED and NCCF to the State Governments for distribution under the PDS @ 1 kg per family per month at a subsidy of ₹10 per kg. The distribution may be restricted to BPL families but could cover a

part of APL families also, depending on the availability and distribution logistics. Since availability of pulses is limited, the quantity of pulses to be distributed under PDS Scheme cannot be enhanced. The scheme is now extended up to 31.3.2011.

## Recommendation (Sl. No. 14, Para No. 3.15)

**The Committee are concerned to note that the percentage of sugar levied on sugar mills for distribution under PDS, has been decreased from 65% in 1984 to 10% in 2009. In view of this anticipated less production of sugar during the current year, levy percentage has been increased to 20% from October, 2009. The Government's stand that increase in percentage of levy sugar would mean a higher subsidy to the Government is not acceptable to the Committee. In case of imposition of 10% of levy sugar, 90% of the sugar production goes to open market where there is no price control regime. In such a situation, price of sugar in open market rises arbitrarily and uncontrollably. As of now, most of the middle class families are not eligible for PDS sugar and they have to bear the brunt of artificial price rise of sugar. The Committee, therefore, recommend that the percentage of levy sugar should be increased so as to distribute sugar to middle class families also through PDS. Price fixed for APL families may be slightly higher than the price given to BPL families. This would take care of the subsidy burden of the Government and at the same APL families would get sugar at a justified price. This would also be a check on the market price of sugar.**

### Reply of the Government

The Central Government, with a view to ensure better targeting, has restructured supply of levy sugar under the PDS in February, 2001 and restricted its supply to BPL families in the country except the North-Eastern States, Hill States and Island Territories where universal coverage has been allowed. Inclusion of all categories of beneficiaries under the PDS in all States/UTs will go against the Government's policy of better targeting and will increase the subsidy burden of the Government.

Further, sugar mills supply levy sugar to the Government at a loss. The Central Government determines levy sugar price payable to sugar mills by taking into account the sugarcane price as fixed under the provisions of the Sugarcane (Control) Order, 1966. Under the provisions of said Order, the Central Government fixed the Statutory Minimum Price (SMP) of sugarcane upto 2008-09 sugar season. With effect from 2009-10 sugar season, the concept of SMP has been replaced by the 'Fair and Remunerative Price' (FRP) which is considerably higher than the SMP. The SMP for 2008-09 sugar season was ₹81.18 per quintal linked to 9% with increase of ₹0.90 for every 0.1% point increase in recovery above 9% whereas the FRP for 2009-10 sugar season has been fixed at ₹129.84 per quintal linked to 9.5% recovery level with increase of ₹1.37 for every 0.1% point increase in the recovery above 9.5%, which is higher by about 51%. However, in practice, sugar mills generally pay cane price higher than the SMP/ FRP fixed by the Central Government. As such, sugar mills suffer loss when they supply levy sugar to the Government. The levy obligation on sugar factories has been increased from 10% to 20% in 2009-10 sugar season with a view to make adequate levy sugar available to PDS beneficiaries. In order to cover APL population, the levy obligation on sugar factories will have to be further enhanced. This will constrain the capacities of sugar factories to pay remunerative cane price to sugarcane farmers.

Therefore, it is difficult to accept the recommendation of the Committee to supply levy sugar to all APL card-holders.

## Recommendation (Sl. No. 15, Para No. 3.16)

**The Committee note that the Central Government with a view to incentivize improvement in productivity of sugarcane cultivation and recovery of sugar production has decided to assist the sugarcane growers with soft loans from Sugar Development Fund. However, this loan is not directly given to sugarcane farmers. It is disbursed to sugar factories, who in turn, pass on the loans in case or kind to the sugarcane growers. In this regard, the Government has clarified that SDF loans can only be given to a sugar factory and not directly to the farmers, after the necessary security has been provided by the sugar factory as per the provision of the Sugar Development Fund Act, 1982. In Committee's view leaving entirely the**

**process of loan disbursement and its recovery to the sugar mill will not be in the interest of farmers. Even though there is a rule that the sugar factory shall pay a penal interest of 6% per annum on the amount not disbursed to the cane growers, it will be difficult to verify whether the loan amount is fully disbursed to the cane growers. As the present system puts the cane growers at the mercy of sugar factories, the Committee recommend that the loans to cane growers should be directly disbursed to them through banks. If necessary, an amendment to the Sugarcane Development Fund Act, 1982 may be made in this regard.**

**Reply of the Government**

As per the Sugar Cess Act, 1982, cess is levied and collected on sugar produced by the sugar factories which is, *inter alia,* to be utilized for the development of the sugar factories, to make the sugar factories more viable and to stabilize the price of sugar. Accordingly, the funds are utilized for the benefit of sugar factories. Further, the scheme for Short-term Cane Development loans was notified on 20.7.2009 for giving financial assistance for purchase of seeds, fertilizers and pesticides under Rule 17-A of Sugar Development Fund Rules, 1983. It is a onetime scheme in which the applications were required to be submitted on or before 30.11.2009 and the loans are required to be disbursed by 15.5.2010. Majority of loans to the extent of budget available have already been disbursed. Since the scheme has ended, it is felt that no purpose will be served in considering amendment to Sugar Development Fund Act at this stage especially when it one time scheme only. It may, however, be reiterated that the scheme provides for adequate safeguards which include mandatory disbursement of fund, in cash or in kind, to the farmers within 90 days, payment of penal interest @ 6% in case of default, recall of loan with penal interest in case of any deviation and appointment of specific monitoring agency separately for each individual loan, to oversee proper utilization of the loan and adherence to the terms and conditions of the sanction thereof.

It is also not practical to monitor disbursement to and recovery of loan from farmers in the absence of sugar factories taking the responsibility and furnishing the requisite security for SDF loan. The sugar factories are required to pass on the benefits of the cane development to the farmers in cash or in kind by supply of seed and fertilizers etc. within specified time period. The disbursement is monitored both by the Central and the State

Governments.

## Recommendation (Sl. No. 17, Para No. 3.18)

**The Committee note that the Government is not holding any buffer stocks of sugar, regularly, as being done in the case of wheat and rice. Sugar stocks are released by sugar mills for sale in open market. In this regard, they note that the Government has conducted excise checks to check the stocks with with sugar mills as there were complaints that sugar mills were showing bogus sales. During such raids unreleased stocks are converted into levy sugar. This year about five lakh tonnes of unsold sugar by sugar mills were converted into levy sugar. In Committee's view, this is a kind of hoarding which also leads to price hike in the market. The Committee, therefore, recommend that apart from conversion into levy sugar, punitive action should also be taken against those sugar mills which indulge in this kind of activities. Moreover, excise check should be conducted invariably on all sugar mills instead of waiting for complaints. The Committee further recommend that the Government should consider holding of buffer stocks of sugar by FCI at least to the level of normative requirement so as to intervene timely in the case of shortage in the availability of sugar in the market.**

### Reply of the Government

The protection of the consumer's interest is of prime importance. This goal is sought to be achieved by the Central Government through influencing the supply of sugar in the market, altering tariffs on import of sugar, regulating export of sugar and making available sugar through the Public Distribution System to the targeted population. The actions being taken by the Central Government in trying to influence the availability of sugar in the market through levy system as also operating mechanism of regulated release of non-levy sugar has been in vogue for a long time. For this purpose, the monthly release orders specifying the quantity to be sold by each sugar mill are issued both in respect of levy sugar and non-levy sugar. In order to ensure that the sugar mills sell allotted non-levy sugar within the validity period of the release order, it has been provided in the monthly release orders for sale of non-levy sugar that any quantity which remains unsold /

undespatched shall be converted into levy sugar. It penalizes the defaulting sugar mills as the market price of non-levy sugar is much higher than levy sugar. However, in case of chronic defaulting sugar mills in supplying levy sugar to the Government, punitive action under the provisions of the Essential Commodities Act, 1955 is taken.

As regards the suggestion of the Committee that the Government should consider holding buffer stock by FCI at least to the level of normative requirement, it is submitted that the Central Government creates buffer stock only when there is excess production of sugar. The buffer stock is created with a view to stabilize sugar prices and help sugarcane farmers as buffer subsidy and the additional credit which sugar mills get on creation of buffer stock has to be utilized for payment of cane price as a first charge. The buffer stock is dismantled when situation improves. A buffer stock of 20 lac tonnes and 30 lac tonnes was created on 1st May, 2007 and 1st August, 2007, respectively, each for a period of one year in 2006-07 sugar season, a surplus season. The first buffer stock of 20 lac tonnes was dismantled in the last two quarters of 2007-08 season while the second buffer stock of 30 lac tonnes was dismantled in phases when sugar production in 2008-09 sugar season declined considerably. This policy is time-tested.

If the suggestion of the Committee is accepted, FCI will be holding sugar even in years of normal production while there may not be any need to have sugar stocks in such a situation. This will put burden on the resources of FCI as carrying cost is involved in holding stocks.

**Recommendation (Sl. No. 20, Para No. 3.21)**

**The Committee are not satisfied with the present system of Targeted Public Distribution System which does not benefit a vast section of the society particularly middle class families. Priority must be given to BPL and AAY families and there is no second opinion in that. However, PDS should also benefit middle class families who fall in the category of Above Poverty Line families. At present allocations under APL category are made depending upon the availability of foodgrains in the Central Pool and the Past offtake. The Committee feel that universalisation of PDS**

**would provide a solution to the current woes of the PDS in the country. In this regard, the Government's apprehension that the poor household will have to pay a higher amount to obtain the same quantity of foodgrains is unwarranted. The foodgrains and other commodities being distributed to the BPL/AAY families should continue to be at the same subsidized price. The Committee recommend that two slabs of prices should be created for distribution of commodities under universal PDS. The lower slab of prices is to be fixed for BPL/AAY families and the higher slab for APL families. Moreover, along with foodgrains, sugar and pulses should also be given regularly under the Public Distribution System.**

**Reply of the Government**

Targeted Public Distribution System (TPDS) was introduced in June, 1997 with a view to target the poor sections of society, as the earlier Universal Public Distribution System did not adequately focus on the poor and had urban bias. At present, under TPDS, the level of subsidy is already 87% and 86% on wheat and rice respectively for AAY category. It is 73% and 74% for wheat and rice for BPL category and it is 60% on wheat and rice supplied to the APL category. This is because the Central Issue Prices (CIPs) for rice and wheat for AAY, BPL and APL categories have not been revised since December, 2000, July, 2000 and July, 2002.

If the universal Public Distribution System as it existed prior to 1997 is to be restored, then even if allocations are made for 18.04 crore households (this number of households was as per estimated population by Registrar General of India as on 1st March, 2000), the total annual requirement of rice and wheat at the scale of 35 kg. per household per month would be 76 million tonnes. Further, if the total ration cards issued by the State and UT Governments up to 31.10.2009 are considered, this number is 24.23 crores. At the scale of 35 kg. foodgrains per household per month, the actual requirement of these households would be around 102 million tonnes of wheat and rice per annum.

Procurement of such huge quantities of wheat and rice would necessitate a near stoppage of private trade in foodgrains in the country and operation of only Government procurement system. Since procurement of rice and wheat cannot be organized at such a

level, their imports will become necessary. Also the scale of issue will accordingly have to be reduced.

Further, in order to manage the level of subsidy, the issue prices of rice and wheat will have to be increased substantially from the present Central Issue Prices (CIPs) which have not been revised during the last seven to nine years. This would also mean that BPL and AAY families would end up not only getting much reduced scale of issue but also have to pay higher CIPS. Hence Universalisation of PDS is not feasible.

As regards distribution of sugar and pulses under TPDS, it is stated that from 1.2.2001, allocation of levy sugar to States/ UTs is being made only for BPL/AAY families, except for North Eastern States, hilly States and island territories for which the allocation is being made for coverage of BPL as well as APL families. It is expected that APL families will be able to buy sugar from the open market. At present there is no proposal to include pulses in regular distribution under TPDS as this too would involve huge Government procurement and crowding out of private trade in pulses where domestic production is short of demand. However, in order to contain price rise of pulses & edible oils, the Central Government imports them as per requisitions of State/UT Governments and subsidizes for their distribution to consumers.

## CHAPTER IV

## RECOMMENDATIONS IN RESPECT OF WHICH GOVERNMENT'S REPLIES HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

### Recommendation (Sl. No. 1, Para No. 3.2)

**The Committee note that there is a Price Monitoring Cell (PMC) in the Department of Consumer Affairs to monitor the availability and prices of 17 essential commodities in the country including rice, wheat, atta, gram dal, tur dal, urad dal, onion, potato and sugar. Wholesale and retail prices are obtained by PMC from the State Food and Civil Supplies Departments. The cell is merely collecting and disseminating information pertaining to the prices of essential commodities. Even in this role, the Committee find deficiency. For instance, potato is one of the items being monitored by the cell. The prices of potatoes has suddenly risen in recent months. The Secretary, Consumer Affairs, informed the Committee in regard to its availability that 'some people' are saying that the stocks of potatoes are sufficient and that 'some people' are saying that the excess quantity of potatoes exists. The Committee regret to note that the Secretary, Consumer Affairs is not aware of the availability position of potatoes when its retail prices are sky-rocketing. When PMC is working under him, he should have been able to provide exact information on availability of potatoes in the country. The above instance is sufficient to show that PMC is merely monitoring the prices of those essential commodities. In Committee's view, the exact role which should be played by PMC is monitoring of demand and availability position of essential commodities, its effects on prices and initiating necessary corrective steps in coordination with the department concerned in a time bound manner. They, therefore recommend that the role of PMC should be redefined in the wake of current situation of price rise and it should be headed by an officer of the rank of Secretary exclusively for the purpose. He should be compressed to take necessary steps for controlling the prices of essential commodities.**

## Reply of the Government

Estimates on potato area and production are given by NHRDF and Directorate of Economics and Statistics, Ministry of Agriculture. During 2008-09, there was discrepancy in the estimates of potato production provided by NHRDF and the trade sources. As per the NHRDF reports total production during the year 2008-09 was estimated at 311.27 lakh tonnes compared to the previous year's production of 304.42 lakh tonnes. However, trade sources reported a lower production of potato. Hence exact estimates of availability of potato are not available.

The Price Monitoring Cell of the Department of Consumer Affairs is entrusted, with the task of monitoring of the prices and availability position of 17 essential commodities in the country viz., rice, wheat, atta, gram dal, tur/arhar dal, moong dal, masoor dal, urad dal, tea, milk, sugar, vanaspati, mustard oil, groundnut oil, potato, onion and salt, based on the information received from the State Food and Civil Supplies Departments. Information on Retail Prices is received on daily basis from 27 centres of the country. Similarly, information on Wholesale Prices is received from 37 centres of the country on weekly basis. Despite the deficiency of staff, the Price Monitoring Cell studied the international and domestic market trends of essential commodities from various sources and this analysis was incorporated in the Notes prepared for the High Level Meetings that were held regularly to enable the Committees to arrive at considered policy decisions in a time bound manner.

It is not possible to control the prices of essential commodities as prices are determined by the forces of demand and supply and vary at different markets and locations. It is not practically possible to bring uniformity in prices of essential commodities across different states on account of the transportation and handling costs and various taxes levied by different State Governments, as well as the conditions of demand and supply that vary from place to place. In a market driven economy, State Governments can better influence the prices of essential commodities by intervening in the market by selling these essential commodities at specific retail outlets at prices below the prevailing market prices. During the periodic meetings with the State Governments and UT Administrations, they were requested to initiate steps to bring down the prices. It has also been reiterated

by the Minister for Food, Consumer Affairs and Public Distribution and the Prime Minister, that the State Governments have an important role in checking the rise in the prices of essential commodities through a set of administrative and regulatory measures.

In this context the States have to take pro active measures. This has been done by some state governments. For instance, few state governments like Maharashtra and Goa had taken steps to make available vegetables, particularly, potato and onion, to consumers at prices that were lower than market rates, when their prices were ruling high last year; in Maharashtra, market cess and supervision fee was waived for vegetables sold in retail in the APMC area by farmers groups, cooperatives and consumer societies; in Goa, mobile units are engaged in selling potato and onion and other vegetables at prices lower by ₹3-₹4 per kg with the state government bearing the subsidy. Delhi Government also intervened directly by supplying pulses and atta at lower rates through various outlets.

## Recommendation (Sl. No. 4, Para No. 3.5)

**The Committee regret to note that effectiveness of Essential Commodities Act has been diluted. They learnt that two central notifications were issued on 15.02.2002 and 16.06.2002 for removing the licensing requirements, stock limits and movement restrictions on essential commodities which were specified in the Act. Subsequent to the issue of these notifications, there was rise in prices of essential commodities and the Government had to impose restrictions by keeping in abeyance some of the provisions of the Central Order dated 15.02.2002 in respect of pulses, edible oils, edible oilseeds, rice, paddy and sugar. Restrictions on sugar are valid till 9.1.2010 and the restrictions on other five items were valid upto 30.9.2009. These restriction orders are proposed to be extended beyond the validity period and the matter has been referred to the Cabinet. In Committee's view such ad hoc measures will not result in decrease of prices of essential commodities. It is imperative to come to a permanent solution urgently to this issue which involve serious implications. Interests of the people of this country cannot be compromised under any circumstances. To protect their interests, Essential**

**Commodities Act, 1955 should be implemented in letter and spirit. The Committee, therefore, recommend that a comprehensive review of the effect of the above mentioned notifications should be undertaken immediately. Based on the review, a permanent notification withdrawing the provisions of the central orders dated 15.02.2002 and 16.06.2002 should be issued so as to take effective action against those who indulge in artificial price hike by resorting to hoarding, etc. in violation of Essential Commodities Act, 1955.**

**Reply of the Government**

The validity of the orders keeping in abeyance certain provisions of Central Orders dated 15.02.2002 and 16.06.2003 have since been extended and these orders are presently valid till 30.09.2010, in respect of pulses, edible oils, edible oilseeds, rice, paddy and sugar. Wheat as a commodity has been withdrawn from the ambit of the orders w.e.f. 01.04.2009, in view of the comfortable availability of the commodity.

The Committee have recommended that a comprehensive review of the effect of the above mentioned Notifications should be undertaken immediately and based on the review a permanent notification withdrawing the provisions of Central Orders dated 15.02.2002 and 16.06.2003 should be issued. In this regard it is submitted that a Conference of Chief Ministers on Prices of essential commodities was held on 06.02.2010 under the chairmanship of Hon'ble Prime Minister. It was recognized by this Conference that the prime concern of the Government was the insulation of the poor and the vulnerable from adverse price movements. This responsibility has to be shared by the Government at the Centre and in the States as coordinated approach to be adopted to tackle the issue. The Conference recommended the constitution of a Core Group of State Chief Ministers and concerned Central Ministers. This Core Group will deliberate on and recommend measure to, inter-alia, better implementation of and amendment to Essential Commodities Act, 1955. The Standing Core Group has since been constituted and the First meeting of the Core Group was held on 08.04.2010 under the Chairmanship of the Hon'ble Prime Minister. The suggestions of the States/UTs on the issue relating to amendment of Essential Commodities Act, 1955 were placed before the Core Group.

## CHAPTER V

## RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLY OF GOVERNMENT IS STILL AWAITED

### Recommendation (Sl. No. 3, Para No. 3.4)

**The Committee are deeply concerned to note that the prices of essential commodities such as rice, tur dal, urad dal, gram dal, vegetables and sugar are very much high which has put the common man in severe hardship. They find that the demand and supply theory has failed by the perceptions and speculations of the middlemen in the supply chain. For instance, the country is not self sufficient in the production of pulses and also, presently, in the production of sugarcane. As a result of which the country has to import pulses and sugar to large extent at a high price. In this regard, the Committee note that the Government has allowed duty free import of pulses and raw sugar. However, the prices of these essential commodities are still sky rocketing even after the duty free import to meet the demand and to augment supply. In this regard, the committee find that the fixation of prices of essential commodities has been entirely left to market forces leaving the consumer at the mercy of greedy traders. Wholesalers and retailers in the supply chain decide the prices of essential commodities and there is no control of the Government at present to limit their profit margins. The situation neither favours the producers ie farmers nor the consumers. The producers are not getting the remunerative prices of their produce right at the time of crop harvesting the prices go down resulting in loss to farmers and as soon as the produce reaches the market from the agricultural field the prices start sky-rocketing. Middlemen such as wholesalers and retailers are fully exploiting the situation in collusion with some concerned authorities and earning huge profits by increasing the prices arbitrarily and artificially on the basis of speculations and perceptions. The Committee, therefore, recommend that the Government should expeditiously come out with a new legislation for controlling the retail prices of essential commodities such as rice, wheat, pulses, edible oils, sugar, milk and vegetables. Provisions of the legislation should include limitation of profit margins of wholesalers, retailers and others in the supply chain to a definite percentage, setting up of a monitoring authority for monitoring the actions of**

**middlemen such as wholesalers, retailers and others and stern action to be taken against those who arbitrarily hike prices of essential commodities for their own advantage. The action taken in this regard should be submitted to the Committee immediately.**

**Reply of the Government**

It is the endeavour of the Central Government to ensure that essential commodities are available to consumers at reasonable prices. In a market oriented economy the prices are determined by the market forces of demand and supply. The direct approach to control the prices of essential commodities is neither feasible nor practical. Therefore, Government has tried to bring down the prices of essential commodities through indirect measures such as,

(1) Increasing domestic production of essential commodities.

(2) Facilitating imports of essential commodities in short supply.

(3) Protecting vulnerable sections of society through Targeted Public Distribution System (TPDS) and Antodaya Anna Yojna (AAY). Under the TPDS, wheat, rice, sugar and kerosene oil are allocated to State Governments for distribution through the Fair Price Shops. The Central Issue Price for rice and wheat has also not been revised since 1-7-2002. In addition, there are two schemes for edible oils and pulses, namely, distribution of imported pulses by State Governments through PDS, @ 1 kg per family per month at a subsidy of ₹10 per kg; and distribution of edible oils to States/UTs for distribution to ration card holders @ 1 kg per ration card per month at a subsidy @ ₹15/kg.

(4) Empowering State Governments / UT Administrations to take effective action to bring out the hoarded stock of these items to ensure their availability to the common people at reasonable prices – by enabling the State Governments to invoke Stock Limits in respect of paddy, rice, pulses, sugar, edible oils and edible oilseeds under the Essential Commodities Act, 1955. The validity of the Central Order has been extended up to 30-9-2010.

The prices of essential commodities will vary across different states on account of

the transportation and handling costs and various taxes levied by different State Governments, as well as the conditions of demand and supply that vary from place to place. State governments also have in place systems to watch prices and take corrective measures. For example, the Government of Tamil Nadu has constituted a Price Watch Committee under Chairmanship of Chief Secretary; Government of Maharashtra has in place a Price Monitoring Cell under the chairmanship of the Chief Secretary.

In a market driven economy, State Governments can better influence the prices of essential commodities by intervening in the market by selling these essential commodities at specific retail outlets at prices below the prevailing market prices. Hence, during the periodic meetings and through Video conference with the State Governments and UT Administrations, they were requested to initiate steps to bring down the prices. It has also been reiterated by the Minister for Food, Consumer Affairs and Public Distribution and the Prime Minister, that the State Governments have an important role in checking the rise in the prices of essential commodities through a set of administrative and regulatory measures.

This has been done by some state governments. For instance, state governments like Maharashtra and Goa had taken steps to make available vegetables, particularly, potato and onion, to consumers at prices that were lower than market rates, when their prices were ruling high last year; in Maharashtra, market cess and supervision fee was waived for vegetables sold in retail in the APMC area by farmers groups, cooperatives and consumer societies; in Goa, mobile units are engaged in selling potato and onion and other vegetables at prices lower by ₹3-₹4 per kg with the state government bearing the subsidy. Delhi Government also intervened directly in partnership with Delhi Grain Merchants Association, by supplying pulses and atta at lower rates through various outlets, which had the necessary effect of bringing various wholesalers and retailers to toe the line and reduce their prices.

It was recognized in the recently held on 6$^{th}$ February, 2010 Conference of Chief Ministers that the prime concern of the Government was the insulation of the poor and the vulnerable from adverse price movements, the responsibility of which had to be shared by

the Government at the Centre and in the States through a coordinated approach. The conference recommended the constitution of a Core Group of State Chief Ministers and concerned Central Ministers to deliberate on and recommend measures to:

(i) Increase agricultural production and productivity(including long term policies for sustained agricultural growth);
(ii) Reduce the gap between farm gate prices and retail prices;
(iii) Better implementation of and amendment to E.C. Act;
(iv) Ensure better and effective delivery of essential commodities to the vulnerable sections of society;
(v) Augmentation of warehousing and storage capacity (including cold chains);
(vi) Issues relating to inputs viz. seeds/fertilizers etc.

Accordingly, a Core Group has been set up by the Department of Agriculture and Cooperation, Ministry of Agriculture, under the chairmanship of the Prime Minister. Its first meeting was held on 8th April 2010.

**Recommendation (Sl. No. 5, Para No. 3.6)**

**The Committee note with concern that the Department of Consumer Affairs does not have exact information on the issue of stock limiting orders by States on pulses, edible oils, rice, paddy and sugar. It has been stated that 15 States have either actually issued stock limit orders or are in the process of issuing the same. Exact details should have been given in this regard. Moreover, there is no uniformity in issuing stock limiting orders by States. A few States have issued stock limit orders on all the above items, a few States have issued stock limit orders on wheat and pluses only and some have issued orders on only licensing requirements/stock declaration. The Committee are of the strong view that the provisions of the Essential Commodities Act should be implemented uniformly throughout the country. In this regard, they note that the State Governments, who have not issued stock limiting orders, have been repeatedly requested by the Department to do so. In this regard, the Committee recommend that the issue of**

**stock limiting orders should be made mandatory for the States for receiving foodgrains from Central Pool.**

**Reply of the Government**

20 State Governments/UTs have issued stock limits for all or some of the five items (pulses, edible oils, edible oilseeds, rice and paddy) or any of the items. { Of these 20, 5 States have issued stock limits orders in respect of all the five items; 7 States have issued stock limits orders in respect of four items (except paddy); 4 States have issued stock limits order in respect of three items; 4 States have issued stock limits orders in respect of one item.}

6 States have issued licensing requirements/ stock declaration orders. 9 States/UTs have not issued either stock limits or stock declaration / licensing requirements.

Further, in respect of sugar, the Central Government have also issued Orders providing for stock-holding/turnover limits which are as follows:

Stockholding:

(i) in Kolkata and extended area –

(a) recognized dealers who import sugar from outside West Bengal- 10,000 quintals;

(b) other recognized dealers -2000 quintals;

(ii) in other places – 2000 quintals.

Turnover: No dealer can hold the stock of sugar for a period exceeding 30 days from the date of receipt by him of such stock.

It is stated that 23 State Governments/ UT Administrations have issued stock limits in respect of Sugar. The remaining States have not issued any orders so far.

It is submitted that the defaulting State Governments/Union Territory Administrations have been repeatedly requested in various fora to issue the stock limits

orders so that they could take effective action against those indulging in malpractices. Central Government Orders in this respect enabled the State Government/UTs to impose stock limits on specific commodities as per local situation to prevent hoarding and blackmarketing. It is also pointed out that some of the State Governments/UT Administrations have intimated that they are non-producing States and are dependent on their neighbours for their needs. Since the different States vary in their production and consumption patterns, it may not be possible for the Central Government to ensure uniform stock limits orders. The Central Government has, however, been making strenuous efforts to persuade the State Governments to monitor the effective implementation of the Essential Commodities Act.

**Recommendation (Sl. No. 6, Para No. 3.7)**

**The Committee note that the Department of Consumer Affairs does not have any proposal to bring in any amendment to the Essential Commodities Act at this stage as the Department feel that the available provisions are adequate, if properly implemented, to achieve the desired objectives. However, perusal of the reasons furnished by a few States for the less number of prosecutions and convictions under the Essential Commodities Act, shows that there is a need for bringing necessary amendments to the Act. The reasons such as (i) the cases detected are compounded instead of punishing due to large number of cases, (ii) difficulties of enforcing officials in playing dual role of launching prosecutions before the court of law as well as proceedings before the District Collector and (ii) Magistrate Courts inability to give priority to the disposal of cases under the Essential Commodities Act due to pendency of large number of criminal cases, should be liked into by the Department as they prove to be a hindrance for the effective implementation of the Act. Particularly compounding of cases will only encourage those persons to indulge in such acts again and get away with fines. Compounding of cases ought to be stopped forthwith to make the Act effective. Moreover, offences under the Essential Commodities Act have an impact on food security of the country and therefore speedy trial of the cases is a must. The Committee, therefore, recommend that the Government should consider setting up of Special Courts in every State on**

**lines of Debt Recovery Tribunals, to hear exclusively the cases pertaining to Essential Commodities Act and thereby compounding of cases can be stopped and proceedings before the district collectors can also be brought under such special courts.**

**Reply of the Government**

As submitted earlier, a Conference of Chief Ministers on Prices of essential commodities was held on 06.02.2010 under the chairmanship of Hon'ble Prime Minister. The Conference recommended the constitution of a Core Group of State Chief Ministers and concerned Central Ministers. This Core Group will deliberate on and recommend measure to, inter-alia, better implementation of and amendment to Essential Commodities Act, 1955. The Standing Core Group has since been constituted and the First meeting of the Core Group was held on 08.04.2010 under the Chairmanship of the Hon'ble Prime Minister. The suggestions of the States/UTs on the issue relating to amendment of Essential Commodities Act, 1955 were placed before the Core Group.

**Recommendation (Sl. No. 13, Para No. 3.14)**

**The Committee note that the household consumers in the country consume about 30-35% of the sugar available in the market. Rest of the 60-65% of the sugar is consumed by bulk consumers who constitute the non-household sector. The Government has imposed a stock holding limit of 15 days for the requirements of bulk consumers. The Committee feel that merely imposing a stock holding limit will not help in the present situation. It should be monitored by the Central and State agencies whether these bulk consumers are releasing their excess stocks or not. The Committee, therefore, recommend that the Central Government either with its own monitoring mechanism or with the help of State Governments check up the sugar stock of these bulk consumers. If anyone hoards more than the limit, prompt and strict action should be taken against them.**

## Reply of the Government

The Central Government has imposed stocking limit on bulk consumers of sugar vide notification dated 22.08.2009 which, subsequently, has been superseded by another notification dated 18.05.2010. The notification dated 18.05.2010 has come into effect from 21.05.2010 and shall remain in force for a period of ninety days. An advisory has also been issued to Food & Civil Supplies Departments of all States / Union Territory Administrations on 08.09.2009 requesting them to assist the Central Government in its efforts to moderate the prices of sugar in the open market. The Directorate of Sugar does not have necessary field formations to check sugar stocks of bulk consumers. As such, the recommendation of the Committee is being forwarded to the State Governments / UT Administration for necessary action.

## Recommendation (Sl. No. 18, Para No. 3.19)

**The Committee note that the Department of Food and Public Distribution has specifically advised the States to strictly implement monthly certification by village panchayats etc. regarding delivery of foodgrains to Fair Price Shops in time and their distribution to ration card holders and allotment of Fair price Shops to Self Help Groups (SHGs). In this regard, the Committee find that only 10 States and one Union Territory have started monthly certification by village panchayats etc. Similarly, about 86,000 Fair Price Shops have only been allotted to SHGs, cooperatives etc. out of 5 lakh FPS in the country. The Committee expect that concerted efforts would be made by the Department for the implementation of certification system in other States as well in a time bound manner. They recommend that certification should included reporting irregularities in FPS to the concerned officials for strict action on those involved in irregularities. The Committee further recommend that the efforts should be made to allot as many FPSs as possible to women self help groups on a turnover commission basis. This would enable the SHGs to earn a livelihood and also eliminate irregularities to a large extent. Moreover, electronic weighing machines should be provided to FPSs**

**as a central scheme to prevent misuse by the staff in the measurement process. The Committee also recommend the fool proof measures should be taken in coordination with State Governments to check issue of fake ration cards. Strict action should be taken against those who indulge in this kind of activity.**

**Reply of the Government**

All State/ UT Governments *vide* letter dated 02.02.2010 (**Annexure-II**) have been requested for strict compliance/ implementation of the observations of the Committee and to send an action taken report on each of the issue.

As per information received upto 31.12.2009, 15 State/ UT Governments are doing monthly certification by Village Panchayat/ Urban Local Bodies/ Vigilance committees/ Women's Self-help group on delivery of TPDS commodities (foodgrains, etc.) at fair price shops and their distribution to ration card holders during allocation month. Others are yet to report.

As on 31.12.2009, 29 State/ UT governments have reported allotment of FPS to institutions/ self-help groups.

As regards installation of Electronic Weighing machines at FPSs, the State/ UT have been requested for compliance.

As regards action against the officials/ persons involved in issuance of bogus/ ineligible ration cards and also action against the families who were found in possession of such ration cards fraudulently, this Department has been stressing upon State/ UT Governments from time to time through written communications as well as in meetings with the State/ UT Government officials. As a result of implementation of 9-point action plan and special campaign, 170.40 lakh bogus/ ineligible ration cards have been deleted by 20 States/ UTs.

## Recommendation (Sl. No. 19, Para No. 3.20)

**The Committee are concerned to note that the present system of enumeration of eligible BPL families for inclusion in Targeted Public Distribution System is fraught with serious deficiencies. The number of BPL as per Central Government estimates is 6.52 crore which includes 2.43 Antyodaya Anna Yojana (AAY) families. However, the State and UT Governments have issued a total of 11.04 crore BPL cards. In this regard, the Committee note that the Central Government's statistics is based on 1993-94 poverty estimates of Planning Commission and population estimates of the Registrar General of India as on 1st March, 2000. It is not acceptable to the Committee that the number of BPL families have come down from 6.52 crore to 5.91 crore as per the poverty estimats of 2004-05 projected on March, 2009. Relying on estimates to calculate the number of BPL families may not be accurate and the ground reality may be different. The Committee, therefore, recommend that a complete enumeration of BPL and AAY families should be undertaken on war footing by the Central Government in coordination with State Governments so as to have and exact list of BPL/ AAY families. Norms for identification of BPL/ AAY families may also be reviewed.**

### Reply of the Government

Planning Commission is the nodal agency of Government of India for estimating poverty at national and State levels. For allocations of foodgrains to States and UTs under Targeted Public Distribution (TPDS), Department of Food & Public Distribution uses the number of Below Poverty Line (BPL) families based on 1993-94 poverty estimates of Planning Commission and population estimates of the Registrar General of India as on 1st March, 2000. This number of BPL families is 6.52 crore, which includes 2.43 crore Antyodaya Anna Yojana (AAY) families.

Planning Commission constituted an Expert Group under the Chairmanship of Prof. D. Suresh Tendulkar to review the methodology for estimation of poverty. The Expert

Group has submitted its report on 08th December, 2009 and it is being examined by the Planning Commission.

Ministry of Rural Development had issued guidelines in 2002 to the States and UT Governments for identification of BPL families. For formulating guidelines for next BPL census in rural areas, Ministry of Rural Development constituted an Expert Group in August, 2008 to suggest methodology for conducting the BPL census. The Expert Group has submitted its report in August, 2009, which has been circulated by Ministry of Rural Development among the States/UTs and the concerned Central Ministries for their comments. The report of the Expert Group has also been posted on the Ministry of Rural Development website. The methodology for the next BPL Census would be finalized by Ministry of Rural Development after taking into consideration the comments/ suggestions received.

Ministry of Rural Development would issue guidelines to carry out next BPL Census in Rural areas across the country which would cover all the households of Rural areas at the time of survey. In respect of urban areas, Planning Commission would be working out guidelines for identification of the poor.

**Recommendation (Sl. No. 21, Para No. 3.22)**

**The Committee note that 15.34 lakh tonnes of foodgrains were stored under CAP (covered and plinth) system in open space, as on 15.08.2009, in various States in the country. Out of this about 9.99 lakh tonnes of foodgrains are stored under CAP in Punjab and Haryana alone. The Committee note that a plan scheme has been formulated by the Government to build and increase the storage capacity for storage of foodgrains by FCI in the country. An amount of ₹291 crore was proposed by the Department of Food and Public Distribution for the implementation of the scheme. However, Planning Commission had approved only an outlay of ₹149 crore. A quantum of 20,000 metric tonnes of wheat and rice was declared as damaged during 2008-09. One of the main reasons for this damage was the prolonged storage of foodgrains in open space under CAP system. The Committee,**

**therefore, recommend that this issue should be taken up at the highest level with the Planning Commission for the allocation of the amount proposed by the Department. Construction of godowns by FCI either by its own or in collaboration with private sector should be taken up by the Government on priority basis. Necessary steps should also be taken to avoid damage of foodgrains stored in the custody of FCI, CWC, SWCs including overhaul and repair of existing godowns, installation of modern equipments in order to contain moisture content of foodgrains and to prevent destruction of foodgrains by rodents and other biotic and abiotic factors.**

**Reply of the Government**

Under the Plan Scheme for construction of storage godowns the Ministry had initially proposed a total outlay of ₹291 crores out of which ₹87.92 crores and ₹1.12 crore was proposed for the NE States and J&K respectively. However, the Planning Commission approved an outlay of ₹149 crores only, out of which ₹125 crores is to be released as equity for FCI and ₹24 crores to North Eastern States as Grants in Aid.

The FCI has prepared a shelf off project to establish new godowns of capacity totaling 3.41 lakh tonnes with an estimated construction cost of ₹164 crores (without land cost) in various States during 11$^{th}$ Five Year Plan (2007-12). The details are given at **Annexure-III**. The Planning Commission has however allocated an amount of ₹125 crores for FCI. The actual number of godowns taken up out of this allocation will depend on the availability of land.

To bridge the storage gap, this Department has formulated a scheme for construction of godowns through private entrepreneurs. The proposals for creation of storage capacity in the various States are considered by the State Level Committee (SLC), and are finally approved by the High Level Committee (HLC) of FCI. The HLC has given its approval for construction of storage godowns for a capacity of 127.65 lakh tonnes. The State-wise details of storage capacity approved by HLC are given at **Annexure-IV**. FCI will offer a guarantee of 7 years for construction of new godowns under the Scheme. The

godown is to be taken on hire from Private parties through CWC/SWCs (which will be the implementing agency).

In order to ensure expeditious construction of godowns, the Guarantee Scheme has been reviewed and it has been decided that wherever CWC and SWCs have land and if this is at the identified locations and within storage capacity finalized, CWC/SWCs may construct godowns on priority for which FCI will provide 6 years Guarantee. CWC/SWCs have already started construction of 5.87 lakh tonnes of storage capacity.

There are well defined quality control norms specified by the Government for procurement of good quality foodgrains for distribution under TPDS, similarly there is a well established procedure to avoid damage of foodgrains stored by FCI.

Prior to commencement of Rabi and Kharif Procurement Seasons, the Department of Food & Public Distribution formulates uniform specifications for procurement of good quality foodgrains for the Central Pool. These uniform specifications are circulated to FCI, all State Governments and their agencies, with the instructions to ensure that foodgrains procured strictly conforms to uniform specifications.

Facilities for cleaning and drying of foodgrains are provided at the procurement centres by State Governments to ensure good quality foodgrains well within the uniform specifications are procured by FCI and State agencies. Moisture meter, physical analysis kits, etc. are also provided at the procurement centres. Instructions are also issued that proper stitching and stenciling on grain bags should be carried out. Dunnage material, tarpaulin and other materials for safe storage of procured food stocks are also provided. The Quality Control officers of FCI and State Governments regularly monitor the quality of foodgrains at the time of procurement.

Samples of procured foodgrains are drawn from the procurement centres and are got analyzed in the laboratories to know their physical quality parameters including moisture content. Discrepancies, if any, observed in the quality of procured foodgrains are immediately brought to the notice of concerned authorities of the FCI and State Governments for taking immediate remedial measures.

Procured foodgrains are stored in covered godowns as well as under CAP (Covered & Plinth) storage (wheat and paddy only) for varying periods. During storage, scientific code of practices for safe storage of foodgrains are adopted by FCI and State agencies. Regular prophylactic and curative treatments are carried out for the control of insect pests. Proper aeration, cleaning and brushing of foodgrains are also carried out regularly.

Quality Control officers of FCI and State agencies regularly monitor the quality of foodgrains including category of foodgrains and insect infestation, if any, and suggest immediate remedial measures. These inspections and remedial measures are displayed on the stack card of each stack in the godown.

Similarly, at the time of distribution of foodgrains to States/UTs, there is a well defined procedure of joint inspection/sampling of the stocks by State Government authority and FCI to ensure that only good quality foodgrains conforming to PFA Standards are issued under Targetted Public Distribution System (PDS) and other welfare schemes.

Wherever incidence of distribution of poor quality foodgrains to consumers are brought to the notice, action is taken against the officials found responsible.

**NEW DELHI;**
**18th November, 2010**
**Kartika 27,1932(Saka)**

**FRANCISCO SARDINHA,**
**CHAIRMAN,**
**COMMITTEE ON ESTIMATES.**

**ANNEXURE-I**

Action Taken under the Essential Commodities Act, 1955
for the year- 2009 - Information received from States / Uts upto 31.07.2009 upto 31.12.2009

| S.No. | State/Uts | No.of Raids | No. of persons arrested | No. of persons prosecuted | No. of persons convicted | Value of goods confiscated in Rs. Lakh | Reported upto |
|---|---|---|---|---|---|---|---|
| 1 | Andhra Pradesh | 7873 | 43 | Nil | 1 | 233.31 | December |
| 2 | Assam | 2382 | 5 | Nil | Nil | Nil | December $ |
| 3 | Arunachal Pradesh | Nil | 3 | 3 | Nil | Nil | November |
| 4 | Bihar | 17 | 8 | Nil | Nil | 1.69 | December |
| 5 | Chhattisgarh | 751 | 36 | 90 | 66 | 858.27 | December |
| 6 | Delhi | 93 | 98 | 76 | Nil | Nil | December |
| 7 | Gujarat | 28025 | 30 | 89 | Nil | 528.31 | December |
| 8 | Goa | 30 | Nil | Nil | Nil | Nil | December |
| 9 | Haryana | 107 | 8 | 1 | Nil | 0.82 | December * |
| 10 | Himachal Pradesh | 24642 | 3 | 2 | Nil | 10.99 | December |
| 11 | Jammu & Kashmir | | | | | | Not Reported |
| 12 | Jharkhand | | | | | | Not Reported |
| 13 | Karnataka | 1659 | 137 | 9 | 3 | 24.58 | December |
| 14 | kerala | 48829 | 21 | 2 | Nil | 121.47 | December *** |
| 15 | Madhya Pradesh | | | | | | Not Reported |
| 16 | Maharashtra | 1688 | 2565 | 1562 | Nil | 13842.38 | December |
| 17 | Manipur | Nil | NIl | Nil | Nil | Nil | November ** |
| 18 | Meghalaya | 8 | Nil | 4 | Nil | Nil | December |
| 19 | Mizoram | 366 | Nil | Nil | Nil | Nil | December |
| 20 | Nagaland | Nil | Nil | Nil | Nil | Nil | December |
| 21 | Orissa | 35494 | 7 | 149 | 9 | 14.56 | December |
| 22 | Punjab | 122 | 54 | 34 | 26 | 464.52 | December |
| 23 | Rajasthan | 281 | 3 | 62 | Nil | 36.89 | March |
| 24 | Sikkim | Nil | Nil | Nil | | Nil | December |
| 25 | Tamil Nadu | 16404 | 4775 | 1471 | 7 | 623.25 | December |
| 26 | Tripura | 66 | 2 | 2 | Nil | 0.65 | December |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 27 | Uttaranchal | | | | | | Not Reported |
| 28 | Uttar Pradesh | 39684 | 1023 | 1491 | Nil | 1929.48 | December |
| 29 | West Bengal | 161 | 117 | 16 | Nil | 90.4 | December |
| 30 | A & N Islands | 208 | Nil | Nil | Nil | Nil | December |
| 31 | Chandigarh | 8 | 9 | Nil | Nil | 7.97 | December |
| 32 | D & N Haveli | 3 | 2 | Nil | Nil | 0.22 | December |
| 33 | Daman & Diu | | | | | | Not Reported |
| 34 | Lakshadweep | Nil | Nil | Nil | Nil | Nil | November |
| 35 | Pondicherry | 512 | 63 | 68 | 15 | 15.53 | December |
| | **Total** | **209413** | **9012** | **5131** | **127** | **18805.29** | |

*** - Except - August & September** **** - Except August & October**

*****- Except October** **$ - Except August**

**Updated as on 7.4.2010**

**ANNEXURE - II**

BY FAX/SPEED POST
PARLIAMENT MATTER

No. 20/03/2010-PD.II
Government of India
Ministry of Consumer Affair, Food & Public Distribution
Department of Food & Public Distribution

Krishi Bhawan, New Delhi – 110 001
Dated the 2nd February 2010

To

The Secretary
Department of Food & Civil Supplies
All States/UTs

Subject: Follow up action on recommendation contained in the Second Report of the Estimates Committee (Fifteenth Lok Sabha) on the subject 'Drought Management, foodgrain production and price situation'.

Sir,

I am directed to refer to the recommendations/observation contained in the Second Report of the Estimates Committee (Fifteenth Lok Sabha) on the above noted subject and to say that the Committee has desired to implement the following recommendations/observations mentioned in para No. 3.19 & 3.20 and has also sought compliance/implementation report immediately:-

(i) Monthly Certification by Village Panchayat/Urban Local Bodies/Vigilance committees/ Women's Self-help group on delivery of TPDS commodities (foodgrains, etc) at fair shops and their distribution to ration card holders during allocation month should include reporting irregularities in FPS to the concerned officials for strict action on those involved in irregularities.
(ii) The Committee desired that efforts should be made to allot as many as FPSs as possible to women self help groups on a turn-over Commission basis.
(iii) Electronic Weighing machines should be provided to FPSs to prevent misuse by the Staff in the measurement process.
(iv) The Committee also recommend that the fool proof measures should be taken by the State/UT Governments to check issue of fake ration cards. Strict action should be taken against those who indulge in this kind of activity.
(v) The Committee also recommended that a complete enumeration of BPL & AAY families should be undertaken on war footing for exact number of BPL/AAY households in the State/UTs.

You are requested to send action taken report on the above issues for appraising of the position to the Estimates Committee, Lok Sabha.

Yours faithfully,

(M.C. Jeph)
Under Secretary to the Government of India
Tel: 011-23097017

**Annexure-III**

**LIST OF PRIORITY OF CENTRES PROPOSED FOR CONSTRUCTION OF GODOWNS BY FCI DURING 11TH FIVE YEAR PLAN (2007-12).**

| SL. NO. | NAME OF THE CENTRE | PROPOSED CAPACITY (Fig. in ) | ESTIMATED COST (Rs.in Crores) |
|---|---|---|---|
| I- | ASSAM REGION | | |
| 1 | Changsari | 50,000 with siding | Rs. 25 |
| 2. | Hailakandi | 5,000 | Rs.1.5 |
| 3. | Karimganj | 5,000 | Rs.1.75 |
| 4. | Kokrajhar | 5,000 | Rs.1.75 |
| 5. | Nowgaon | 25,000 with siding | Rs.17.5 |
| 6. | Dibrugarh | 25,000 with siding | Rs.17.5 |
| 7. | Fakiragram | 5,000 | Rs.1,75 |
| | Total | 1.20 lakh | Rs.66.75 |
| II | TRIPURA | | |
| 1. | Nandannagar | 2,500 (within Existing Complex). | Rs.1.25 |
| 2. | Kumarghat | 5,000 | Rs.3.0 |
| | Total: | 7,500 | Rs.4.25 |
| III. | MANIPUR | | |
| 1. | Jiribam | 7,500 | Rs.4.5 |
| 2. | Senapati | 5,000 | Rs.3.00 |
| 3. | Churachandpur | 2,500 | Rs.1.50 |
| | Total: | 15,000 | Rs.9.0 |
| IV | NAGALAND | | |
| 1. | Kohima | 5,000 | Rs.3.0 |
| 2. | Dimapur | 5,000 | Rs.3.0 |
| | Total: | 10,000 | Rs.6.0 |
| V. | MEGHALAYA | | |
| 1. | Baghamara/South Garo Hills. | 2,500 | Rs.1.50 |
| 2. | Shillong | 5,000 | Rs.3.0 |
| | Total: | 7,500 | Rs.4.50 |
| North Zone: | | | |
| VI | JAMMU & KASHMIR | | |
| 1. | Srinagar Valley (Rly Siding). | 20,000 | Rs.12 |
| 2. | Pulwama | 2,500 | Rs.1.5 |
| 3. | Udhampur | 15,000 | Rs.9.0 |
| | Total: | 37,500 | Rs.22.5 |

| | | | |
|---|---|---|---|
| VII. | HIMACHAL PRADESH . | | |
| 1. | Kinnaur | 1,670 | Rs.1.0 |
| 2. | Bilaspur | 5,000 | Rs.2.0 |
| 3. | Mandi | 5,000 | Rs.2.0 |
| 4. | Nahan | 5,000 | Rs.2.0 |
| 5. | Nagrota Bagwan | 5,000 | Rs.2.0 |
| 6. | Shimla | 5,000 | Rs.2.0 |
| | Total: | 26,670 | Rs.11.0 |
| VIII. | SIKKIM | | |
| 1. | Jorthang | 5,000 | Rs.3.0 |
| IX | JHARKHAND | | |
| 1. | Chakradharpur | 15,000 | Rs.7.50 |
| X | BIHAR | | |
| 1. | Mohania/Kaimur | 25,000 | Rs.7.25 |
| XI | ORISSA | | |
| 1. | Dungarpalli | 10,000 | Rs.3.0 |
| 2. | Mancheswar | 10,000 | Rs.3.0 |
| 3. | Baripeda | 10,000 | Rs.3.0 |
| | Total: | 30,000 | Rs.9.00 |
| XII | WEST BENGAL | | |
| 1. | Jalpaiguri | 10,000 | Rs.3.0 |
| | WEST ZONE | | |
| XIII | CHHATTISGARH | | |
| 1. | Balod | 10,000 | Rs.3.0 |
| 2. | Akaltara | 10,000 | Rs.3.0 |
| | Total: | 20,000 | Rs.6.0 |
| XIV | MAHARASHTRA | | |
| 1. | Bhandara | 10,000 | Rs.3.0 |
| | SOUTH ZONE | | |
| XV | UNION TERRITORY | | |
| 1. | Lakshadweep | 2,500 | Rs.1.25 |
| | Total: | 2,500 | Rs.1.25 |
| | Grand Total: | 3,41,670 | Rs.164.00 |

**Annexure-IV**

**THE DETAILS OF THE REQUIREMENT OF ADDITIONAL STORAGE CAPACITY FINALIZED BY HLC OF FCI**

**(Figures in tonnes)**

| | | |
|---|---|---|
| Andhra Pradesh | … | 36,000 |
| Bihar | … | 3,00,000 |
| Chhattisgarh | … | 5,000 |
| Gujarat | … | 45,000 |
| Haryana | … | 38,80,000 |
| Himachal Pradesh | … | 1,42,550 |
| J & K | … | 3,61,690 |
| Jharkhand | … | 1,75,000 |
| Karnataka | … | 2,05,000 |
| Kerala | … | 15,000 |
| Maharashtra | … | 99,500 |
| Punjab | … | 71,25,000 |
| Tamil Nadu | … | 3,45,000 |
| Uttarakhand | … | 25,000 |
| West Bengal | … | 5,000 |
| **GRAND TOTAL** | **…** | **127.65 lakh tonnes** |

## APPENDIX - I

## MINUTES OF TWELFTH SITTING OF COMMITTEE ON ESTIMATES (2010-2011)

**The Committee sat on Thursday, the 23rd September, 2010 from 1430 hrs. to 1720 hrs.**

**Shri Francisco Sardinha – Chairman**

**MEMBERS**

2 Shri Bhakta Charan Das
3 Dr. Sanjay Jaiswal
4 Shri P. Karunakaran
5 Shri M. Krishnaswamy
6 Dr. Sanjeev Ganesh Naik
7 Shri Prabodh Panda
8 Shri Ravindra Kumar Pandey
9 Smt. Yashodhara Raje Scindia
10 Shri S. Semmalai
11 Shri Arjun Charan Sethi
12 Shri Brij Bhushan Sharan Singh
13 Shri Sushil Kumar Singh
14 Shri K.C. Venugopal

**SECRETARIAT**

1. Smt. Anita B. Panda - Additional Director
2. Smt. Juby Amar - Deputy Secretary

2. At the outset, the Chairman welcomed the Members to sitting of the Committee.

3. The Committee then took up for consideration Draft Report on action taken by the Government on the recommendations contained in the Second Report (15th Lok Sabha) of the Committee on the subject 'Drought Management, Foodgrain Production and Price Situation' pertaining to Ministry of Consumer Affairs, Food & Public Distribution. The Committee adopted the Draft Report with some modifications.

4. The Committee authorized the Chairman to finalize the Report and present the same to Parliament.

5. xxx xxx xxx xxx xxx.

6. xxx xxx xxx xxx xxx.

7. xxx xxx xxx xxx xxx.

**The Committee then adjourned.**

## APPENDIX - II

**(*vide* introduction to Report)**

## ANALYSIS OF THE ACTION TAKEN BY GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE SECOND (2ND) REPORT OF THE COMMITTEE ON ESTIMATES (15TH LOK SABHA).

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| | | |
|---|---|---|
| (i) | Total number of Recommendations/observations: | **21** |
| (ii) | Recommendations/observations which have been accepted by the Government:<br>(Nos. 3.8, 3.9, 3.11, 3.12, 3.13, 3.17 - **Total 6**) | |
| | Percentage | **28.57%** |
| (iii) | Recommendations/observations which the Committee do not desire to pursue in view of Government's reply:<br>(Nos. 3.3, 3.10, 3.15, 3.16, 3.18, 3.21 - **Total 6**) | |
| | Percentage | **28.57%** |
| (iv) | Recommendations/observations in respect of which Government's replies have not been accepted by the Committee:<br>(Nos. 3.2, 3.5 - **Total 2**) | |
| | Percentage | **9.52%** |
| (v) | Recommendations/observations in respect of which final replies of Government are still awaited:<br>(Nos. 3.4, 3.6, 3.7, 3.14, 3.19, 3.20, 3.22 - **Total 7**) | |
| | Percentage | **33.33%** |